

COMMERCE COMMISSION
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**SUPPLEMENTAL DIRECT TESTIMONY OF
BOB KHAN**

**ILLINOIS COMMERCE COMMISSION
DOCKET NO. 03-0362**

Q. Please state your name, business address, telephone, and e-mail address for the record.

A. My name is Bob Khan. My business address is Illinois-American Water Company, 1000 Internationale Parkway, Woodridge, Illinois 60517. My telephone number is 630-739-8825; and my e-mail address is bkhan@illinoisamerican.com.

Q. Are you the same Bob Khan who has previously filed Direct Testimony in this matter?

A. Yes.

Q. Are you familiar with the Petition which has been filed in this proceeding?

A. Yes, I am.

Q. What is the purpose of your supplemental testimony?

A. Contemporaneously with the filing of this testimony, the Company has filed an amended petition which requests a certificate of public convenience and necessity for water service in addition to the request for a certificate for sanitary sewer service which was plead in the original application for Parcel 5G (as identified on Exhibit A to the Amended Application filed herein), Montalbano Homes, located in the Company's Southwest Suburban service area. The Amended Application also seeks a variance from Part 600.370 for parcels located in the Company's Santa Fe service area. My testimony will support the request for water service in addition to my prior testimony for sanitary sewer service to this parcel. In addition, my testimony will explain why a variance is needed and why it should be granted.

Q. Why has the Company filed an Amended Petition?

1 **A.** After the Petition and my direct testimony were filed, it was determined that the
2 Company needed to seek a certificate for water service to this parcel. The Company
3 has a certificate to provide water service to many parcels in the Southwest Suburban
4 service area. Originally this parcel was identified as already being located in a
5 certificated area for water. However, in responding to data requests from Staff, the
6 Company determined that Parcel 5G was not located within the Company's certificated
7 area for water service. The developer of Montalbano Homes has requested water and
8 sanitary sewer service; therefore, the Company is seeking a certificate to provide water
9 and sanitary sewer service to this parcel.

10 In addition, it was determined that Parcel 5C of the Southwest Suburban service area,
11 Hiller Development, and Parcel 4A of the Santa Fe service area, Extreme Express, are
12 already located in the areas certificated for water service to the Company. Therefore,
13 the petition for a certificate to provide water service to these two parcels is being
14 withdrawn.

15 Finally, in reviewing the prior record from Docket No. 51771, which approved the
16 agreement between Citizens Utilities Company of Illinois ("Citizens") and Chanslor-
17 Western Oil Development Company ("Chanslor"), ("Santa Fe Agreement"), it was
18 determined that the Commission had approved such agreement before codification of
19 the refund and recapture rules in Part 600.370, so that such Order did not expressly
20 reference such rules. Since that Order, through mergers and asset purchases, Illinois-
21 American assumed the position of Citizens to this agreement and Catellus assumed the
22 position of Chanslor. Therefore, for clarification purposes, the Amended Application
23 requests acknowledgment of the variance with regard to refunds and recapture
24 payments in the Santa Fe service area contemplated by the Santa Fe Agreement.

25 **Q.** In your Direct Testimony you identified four municipalities that had boundaries
26 that were located within 1-1/2 miles of the area sought to be certificated to the

1 **Company's Southwest Suburban service area and four municipalities that had**
2 **boundaries that were located within 1-1/2 miles of the area sought to be**
3 **certificated to the Company's Santa Fe service area. Did you serve a Notice of the**
4 **filling of the Amended Petition with the Illinois Commerce Commission on each of**
5 **the municipalities, and was a copy of the Amended Petition attached to such**
6 **Notice?**

7 **A.** Yes. Illinois-American's Associate Counsel mailed, or caused to be mailed, a Notice with
8 an attached copy of the Motion for Leave to File an Amended Application, Amended
9 Application and this testimony to each municipality on August 5, 2003.

10 **Q.** **Do you believe it is to the best interest of the Company and to the best interest of**
11 **the public that the request for a certificate for water service to Parcel 5G,**
12 **Montalbano Homes be approved by the Illinois Commerce Commission?**

13 **A.** Yes. The developer has requested service for water as well as sanitary sewer service
14 and the Company is the closest purveyor with facilities in the area.

15 **Q.** **Have you caused to be prepared a location map showing Illinois-American's**
16 **presently certificated Southwest Suburban Service Area, including the parcels**
17 **which are the subject of this proceeding?**

18 **A.** Yes. The map is marked Page 5 of Exhibit A to the original Application filed herein. That
19 map has not changed as a result of the Amended Application.

20 **Q.** **Does Illinois-American possess a certificate to provide water service throughout**
21 **much of Homer Township in Will County?**

22 **A.** Yes. A certificate to provide water service throughout much of Homer Township was
23 issued in Docket No. 93-0427. The territory included all parcels listed as Southwest
24 Suburban Parcels 5A through 5F. Therefore, even though Illinois-American will provide
25 water as well as sewer service to these parcels, Illinois-American is requesting only a
26 sanitary sewer certificate for these parcels because it is already certificated for water.

1 Parcels 5G, 5H and 5I are not located within an area previously certificated for water
2 service; therefore, Illinois-American is requesting a water and sanitary sewer certificate
3 for parcels 5G, 5H and 5I.

4 **Q. Is Parcel 5G located near Illinois-American's Southwest Suburban service area?**

5 **A.** Yes. The parcel is contiguous to the Company's existing certificated area.

6 **Q. Will Illinois-American have sufficient capacity to meet the estimated demand for**
7 **the nine developments identified within the Southwest Suburban development.**

8 **A.** Yes. The cumulative estimated demand for the nine developments is approximately
9 0.26 mgd. The Southwest Suburban water system has a capacity of approximately 12
10 mgd. Adding the anticipated demand to the average day demand in 2002 of 2.3 mgd and
11 peak demand of 5.7 mgd, the total demand is within the current capacity.

12 **Parcel 5G – Montalbano Homes**

13 **Q. Please describe the proposed service to Southwest Suburban Parcel 5G**
14 **(Montalbano Homes).**

15 **A.** The developer, Montalbano Homes, has requested water and sanitary sewer service for
16 132 and 68-acre Parcels. The legal description is attached on Pages 12-13 of Exhibit B
17 of the original Application.

18 **Q. Has Illinois-American entered into a water and sanitary sewer service agreement**
19 **with the developer?**

20 **A.** Yes, an Agreement for the 132-acre Parcel has been finalized. The Agreement for the
21 68-acre Parcel is not yet final.

22 **Q. Have you caused to be prepared an estimate of costs for the water facilities to be**
23 **constructed?**

24 **A.** The engineering has not been finalized. Therefore, a cost estimate is not yet available

25 **Q. On what basis do you believe service by the Company would be the least cost**
26 **service available?**

1 A. To our knowledge no other water purveyor in the area has expressed an interest in
2 providing service or has facilities closer than the Company's facilities to this parcel.

3
4 **SANTA FE**

5 **Q. What does the Commission-approved agreement between Illinois-American**
6 **(previously Citizens Utilities Company of Illinois) and Catellus Development**
7 **Corporation (previously Chanslor-Western Oil Development Company) provide**
8 **with regard to refunds and recapture payments?**

9 A. The agreement requires Illinois-American to refund annually a sum equal to one half of
10 all revenues in excess of ten percent of the cost of water and wastewater facilities.
11 Under the agreement, no refunds or recapture payments will be made until the revenues
12 exceed the sum of costs of electric, fuel, chemicals, other direct operations and
13 maintenance expenditures and property and other state and local taxes.

14 **Q. Is this provision in accordance with the Commission's Part 600.370(b)(5)?**

15 A. No. However, the Santa Fe Agreement was approved before codification of such Part
16 and the parties, with Commission approval, have applied the revenue refunding
17 mechanism approved by the Commission in the Santa Fe Agreement consistently since
18 then so that it is appropriate to acknowledge this variance for purposes of this
19 proceeding.

20 **Q. Does this conclude your testimony?**

21 A. Yes, it does.